

Message Text

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TO SECSTATE WASHDC 9063

INFO AMEMBASSY COPENHAGEN

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TAGS: PINT SGEN EFIN NO

SUBJ: GOVERNMENT CRISIS THREATENED OVER ALCAN PURCHASE

REF: OSLO 5297

SUMMARY WITHOUT SOME LAST MINUTE RESCUE MOVE, NORWAY'S RULING LABOR GOVERNMENT COULD WELL FALL FROM POSER ON DECEMBER 13 IF IT LOSES A VOTE IN THE STORTING ON ITS PROPOSAL FOR REPURCHASE OF STOCKS FROM ALCAN IN A NORWEGIAN BASED ALUMINUM FIRM. POLITICAL LEADERS HAVE BEEN SEARCHING IN VAIN TO REACH A COMPROMISE WHICH WOULD AVERT A CRISIS ON THIS ISSUE, WITH DISCUSSIONS FOCUSED PRINCIPALLY BETWEEN LABOR AND THE LEFTIST SV. END SUMMARY

1. HAVING WEATHERED A NUMBER OF MINOR, ANNOYING ASSAULTS ON ITS LEGISLATIVE PROPOSALS THIS FALL AND EVEN THREATENING TO RESIGN AS A CONSEQUENCE (OSLO 5297), NORWAY'S MINORITY RULING, LABOR PARTY
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FINDS ITSELF UNEXPECTEDLY CONFRONTED

WITH A COMPLETELY NEW ISSUE WHICH COULD TOPPLE IT FROM POWER.

2. THE ISSUE AROSE LATE LAST WEEK WHEN THE GOVERNMENT PRESENTED IN THE STARTING'S INDUSTRY COMMITTEE ITS AGREEMENT NEGOTIATED WITH THE CANADIAN FIRM ALCAN FOR REPURCHASING 50 PERCENT OF THE ALCAN SHARES IN THE ALUMINUM PLANT ARDAL OG SUNNDAL VORK (ASV) NEAR TRONDHEIM. THE ORIGINAL SHARES WERE SOLD BY THE BORTEN GOVERNMENT TO ALCAN IN 1966.

3. TO THE SURPRISE OF MOST OBSERVERS, THE NON-SOCIALIST PARTIES AND THE LEFTIST SV FOUND THEMSELVES AGREED IN OPPOSING THE GOVERNMENT'S PROPOSAL, ALTHOUGH FOR DIFFERENT REASONS, THUS PROVIDING A MAJORITY AGAINST IT. SV PREFERRED TO NATIONALIZE ALL OF ALCAN'S STOCK IN ASV; THE NON-SOCIALISTS ARGUED THAT THE LABOR NEGOTIATED AGREEMENT SHOULD HAVE BEEN MORE FAVORABLE TO THE STATE AND CALLED FOR A RENEGOTIATION. THE GOVERNMENT BELIEVES IT HAS ACHIEVED THE BEST POSSIBLE ARRANGEMENT WITH THE FIRM AND IS READY TO MAKE THE AGREEMENT A QUESTION OF CONFIDENCE WHEN THE STARTING VOTES ON IT ON DECEMBER 13.

4. AMONG OTHER THINGS THE AGREEMENT CALLS FOR THE GOVERNMENT TO BUY BACK HALF OF THE 50 PERCENT OF ASV SHARES FROM ALCAN, THEREBY GIVING THE STATE 75 PERCENT OF THE COMPANY'S STOCK, FOR 350 MILLION KRONER OR MORE THAN DOUBLE THE PRICE PER SHARE WHICH THE BORTEN GOVERNMENT RECEIVED FOR THEIR SALE IN 1966. ALCAN WOULD PAY NO TAX ON THE SALE. THE GOVERNMENT HAS AGREED TO DROP A PROVISION WHICH WOULD GIVE ALCAN THE OPTION OF OBTAINING 20 PERCENT PARTICIPATION IN ANY CONSOLIDATION OF NORWAY'S ALUMINUM INDUSTRY THE GOVERNMENT MIGHT UNDERTAKE IN THE FUTURE.

5. WITH THE CONFRONTATION IMMINENT, PARTY LEADERS SEARCHED UNSUCCESSFULLY OVER THE WEEKEND FOR POSSIBLE MOVEMENT IN EARLIER STATED POSITIONS ON THE LIMITED OFFICIAL USE

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ISSUE. IT WAS THOUGHT THAT THE CHRISTIAN PEOPLE'S PARTY MIGHT COME TO THE GOVERNMENT'S RESCUE, BUT IT HAS HELD FIRM AS HAVE THE OTHER NON-SOCIALIST PARTIES. LABOR TURNED INSTEAD TO SV BUT ALSO WITH NO SUCCESS.

6. FOREIGN MINISTRY FRYDENLUND TOLD ME TODAY, DEC 10, THAT HE BELIEVES THE VOTE WILL GO AGAINST THE

GOVERNMENT FRIDAY AND IT WILL FALL. HE SAID HE THOUGHT THE CHRISTIAN PEOPLE'S PARTY MIGHT IN THE LAST HOUR COME AROUND TO SUPPORT THE GOVERNMENT, BUT HE WAS CONFIDENT THE SV WOULD NOT BECAUSE THE PARTY COULD NOT SURVIVE A SPLIT IN ITS VOTE ON THIS ISSUE. NOR DID HE BELIEVE PRIME MINISTER BRATTELI WOULD YIELD ON HIS INSISTENCE THAT THIS BE A VOTE OF CONFIDENCE, AS HE VIEWS THE CONTINUING ATTACKS ON LABOR'S LEGISLATIVE PROGRAM AS A PATTERN DESIGNED TO VITIATE LABOR RULE.

7. CHRISTIAN PEOPLE'S AND CONSERVATIVE PARTY POLITICIANS SPECULATED WITH EMBOFFS THAT THE LABOR PARTY WOULD NOT BE TOO UNHAPPY TO LET THE NON-SOCIALIST PARTIES RULE BRIEFLY, WHILE LABOR GOT ITS WON HOUSE IN ORDER IN CONNECTION WITH ITS APRIL PARTY CONVENTION. FORMER PRIME MINISTER KORVALD, WHO SEEMED TO HAVE A CERTAIN GLINT IN HIS EYE OVER THE POSSIBILITY OF RETURNING TO THE GOVERNMENT, SPECULATED THAT LABOR MIGHT ALLOW A NON-SOCIALIST MINORITY GOVERNMENT TO STAY IN POWER UNTIL AFTER ITS APRIL CONVENTION.

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8. AT THE VERY LEAST, LABOR EVIDENTLY SEES THE CRISIS AS AN OPPORTUNITY TO EMBARRASS ITS MOST SERIOUS RIVAL, THE SV. LABOR AND NON-SOCIALIST OFFICIALS QUERIED BY THE EMBASSY HAD, AT LEAST PRIOR TO TODAY, EXPECTED THAT SV WOULD BACK-DOWN, WITH ITS MEMORIES OF ELECTORAL SET-BACK IN 1963 AFTER IT BORE RESPONSIBILITY FOR BRINGING DOWN AN EARLIER SOCIALIST GOVERNMENT. UNION PRESSURE IS STILL BUILDING UP ON SV TO COMPROMISE. THE IMPROTANT NORWEGIAN CHEMICAL WORKERS' UNION, WHICH INCLUDES THE ALUMINUM WORKERS AND IN WHICH SV IS TRYING TO BUILD SUPPORT, HAS CALLED UPON SV TO SUPPORT THE LABOR PROPOSAL. SV MUST ALSO BE CONCERNED ABOUT THE IMPACT OF ITS ACTIONS ON NORTHERN FISHERMEN, WHO DO NOT WISH TO SEE MOMENTUM LOST IN THE GOVERNMENT'S INITIATIVES TO NEGOTIATE TRAWL-FREE ZONES AND EXTEND A 50-MILE FISHING LIMIT.

9. REPORTS OF DISCUSSIONS AT THE SV NATIONAL COUNCIL
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MEETING OVER THE WEEKEND INDICATE THAT THERE IS A DIVISION ON THE ISSUE WITHIN THE PARTY, WITH THE SF MEMBERS FAVORING COMPROMISE WITH LABOR AND THE COMMUNIST AND AIK MEMBERS OPPOSED, WHICH IS AN AWKWARD SITUATION FOR A COALITION STRUGGLING HARD TO MERGE INTO A SINGLE PARTY THIS COMING YEAR. COMMUNIST LEADER REIDER LARSEN, SV REPRESENTATIVE ON THE STORTING INDUSTRY COMMITTEE HAS SPEARHEADED OPPOSITION TO THE GOVERNMENT'S POSITION. PRESUMABLY, THE PLAN OF THE HARD-LINERS IS TO FORCE AN ISSUE OF "SOCIALIST PRINCIPLE"; I.E., NATIONALIZATION OF IDNUSTRY, IN THE HOPE OF SHARPENING INTERNAL DEBATE WITHIN THE LABOR PARTY ON ITS FUTURE ORIENTATION AND PERHAPS BRING BACK INTO POWER A LABOR GOVERNMENT MORE PREPARED TO COMPROMISE WITH THE LEFT.

10. HOPE IS FADING THAT ONE PARTY WILL YIELD OR THAT ENOUGH MEMBERS WILL BREAK PARTY RANKS AND JOIN LABOR TO AVERT THE CRISIS, WHICH NOONE EXPECTED, FEW WELCOM, AND MOST DEPLORE. EVEN THE CONSERVATIVE NEWSPAPER "AFTENPOSTEN" AND THE CHRISTIAN PEOPLE'S PARTY ORIENTED "VART-LAND" EDITORIALIZE THAT THIS IS NOT A SUBJECT ON WHICH TO FELL THE GOVERNMENT.

11. BUT UP TO NOW NONE OF THE PRINCIPAL PARTIES

HAS ALTERED ITS STAND AND IF NO ONE DOES,
THE VOTE ON FRIDAY THE 13TH COULD BE UNLUCKY AND BRING
DOWN THE BRATTELI GOVERNMENT, AT LEAST FOR AWHILE.
UNLESS PRIME MINISTER BRATTELI RECOMMENDS OTHERWISE
TO THE KING, THE CONSERVATIVES, AS THE LARGEST NON-
SOCIALIST PARTY, WOULD PROBABLY GET FIRST NOD TO
FORM A NEW GOVERNMENT. BUT BECAUSE A CHRISTIAN
PEOPLE'S PARTY AND CENTER PARTY COALITION IS
LIKELY TO COMMAND BROADER SUPPORT, IT WILL LIKELY FORM
THE NUCLEUS OF ANY NEW GOVERNMENT, EVEN IF
THE GOVERNMENT SHOULD INCLUDE THE CONSERVATIVES. (THE
CONSERVATIVES WERE NOT PART OF KORVALD'S GOVERNMENT IN
1972-73). FEW BELIEVE TODAY THAT, LACKING A
MAJORITY IN THE STORTING, ANY SUCH COMBINATION
COULD SURVIVE LONGER THAN THE LABOR PARTY NATIONAL
CONVENTION IN APRIL, AND MOST LIKELY, NOT EVEN THAT
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LONG. AS A RESULT, LABOR WOULD AFTER A BRIEF
HIATUS BE CALLED UPON TO RECONSTITUTE THE GOVERN-
MENT.
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